



RENEWABLE ENERGY PROCUREMENT

March 26, 2007



Program Overview

- In 2002, 1% (141,026 MWh) of SDG&E's portfolio was from renewables.
- In 2002, SDG&E issued its first Renewable Request for Offers and has issued renewable Request for Offers every year since.
- 2006 purchases from renewables was 5.6% (894,735 MWh)
- SDG&E has added over 150 MW of new renewable generation

Renewable Procurement Status

Year	Total Purchases from Renewables	Annual Target	% of Sales
2001	145,760		0.97%
2002	141,026		0.99%
2003	549,967	149,988	3.7%
2004	677,966	423,336	4.5%
2005	825,366	581,452	5.2%
2006	894,735	741,467	5.6%



Contracts for Approval

- SDG&E is in the process of finalizing several additional contracts from its 2005 RFO.
- In November 2006, SDG&E filed 4 contracts for CPUC approval that will add just under 4% to its 2010 renewable portfolio.
 - Solar, geothermal, biomass
 - 125 MW Imperial Valley, 20 MW in San Diego
 - On CPUC agenda March 15
- In February 2007, SDG&E filed 2 contracts for CPUC approval that will add approximately 2% in 2010

Annual Procurement Process

- Solicitations
 - Finalize 2005 RFO process
 - Negotiate with Shortlist from 2006 RFO
 - Short list submitted to CPUC on January 17, 2007
 - Deadline to submit contracts for CPUC Approval: July 9, 2007
 - 2007 RFO issued March 12
 - Deadline to submit contracts for CPUC approval: Dec. 31, 2007

Major Issues

- Portfolio Costs for commitments made to date less than “Market Referent Price”. However, prices are generally increasing
- Market Referent Price has increased each year
- Uncertainty with transmission
- Regulatory process
- Availability of SEP funds



Certainty of Contracts

- SDG&E is receiving offers in its RFO's for ideas that are not fully formed, rather than offers of fully developed projects. As a result, our ability to meet 2010 RPS requirement is exposed to all the risk that the developer faces:
 - Transmission
 - Land Acquisition
 - Financing
 - Technology Viability
 - Approval Delays
 - Cost increases

Additional Actions

- Continue to pursue utility ownership
 - Requested ownership offers in renewable RFOs since 2004
 - Investigate other ownership structures
 - Tax effects
- Attempt to contract beyond 20% to address uncertainty
- Develop portfolio in terms of technology, location, etc.
- Consider bi-lateral negotiations

Legislative/Regulatory Actions That Can Foster Renewable Procurement

- Streamline the Regulatory Process
 - Shortened approval process would increase probability that new renewable projects can be built.
 - Delay significantly increases risk that cost to build will increase
- SEP funding has not to date proven to be a useful tool
 - major question about ability to finance
 - Eliminate SEP funding and return non-bypassable portion to IOU customers.

Legislative/Regulatory Actions That Can Foster Renewable Procurement

- Support and Expedite Transmission Facilities necessary to bring new renewables to market
- Allow unbundled REC trading
- Support Federal legislation that would extend Production Tax Credits and Investment Tax credits